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C O N F I D E N T I A L TAIPEI 000539

SIPDIS

DEPT FOR EAP/TC, NP/ECNP
DEPT PLEASE PASS AIT/W

E.O. 12958: DECL: 02/03/2105

TAGS: [ETTC](#) [ECON](#) [ETRD](#) [TW](#) [CH](#)

SUBJECT: MOEA MAY LOOSEN TECHNOLOGY TRANSFER RULES

REF: A. STATE 15626

[B](#). TAIPEI 343

Classified By: AIT Director Douglas H. Paal, Reason 1.5 b/d

[1](#)1. (C) In a February 2 meeting with AIT/T econoff, Taiwan Ministry of Economic Affairs (MOEA) Executive Secretary Huang Chin-tan and his deputy Emile Chang gave an update on Taiwan's investment control regulations for semiconductor manufacturing investment in the PRC. Huang said that based in part on the non-paper provided in ref A, his office had drafted a report on the issue for MOEA Minister Ho Mei-yueh seeking a decision on whether to change Taiwan's regulations, which currently allow investment in the PRC utilizing manufacturing technology that produces a minimum feature size of 0.25 microns. Because of recent changes in Taiwan's cabinet, the MOEA Vice Minister had decided not to pass the report forward until it became clear whether a new MOEA Minister would be appointed. Huang expects that the memorandum will move forward to the Minister soon and that a decision will be forthcoming shortly. (Note: Huang does not believe that a new Minister will be appointed at this time. End note.) He underscored that the Taiwan government wants its regulations to be consistent with U.S. export controls and the Wassenaar Agreement. Huang also noted that the investments proposed by Powerchip and ProMOS in their December applications to MOEA (reported ref B) would probably only be realized if the minimum feature size is reduced to at least 0.18 microns. He speculated that the DRAM manufacturing investments would not be economically feasible with 0.25-micron technology.

[2](#)2. (C) On a separate subject, Chang asked about U.S. government concerns about the Lenovo purchase of IBM's PC unit. Econoff informed Chang that AIT/T did not have any special knowledge of the Committee of Foreign Investment in the United States review of the Lenovo/IBM deal, but it appeared that concern focused on one research unit in North Carolina. Chang said that Taiwan's response to the deal would largely depend on whether it received U.S. approval. If the U.S. approves the deal, that provides Taiwan some justification for approving the Lenovo purchase of IBM assets in Taiwan. Huang indicated that there is no significant PRC investment in Taiwan at this time, but it can be approved on a case-by-case basis. The Lenovo/IBM deal could be an important test case. Huang said that only one IBM unit in Taiwan would be affected by the deal. The unit is responsible for PC sales and purchasing PC components in Taiwan. It has about 30 employees and no manufacturing or R&D function.

PAAL